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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION
OF UNITED WATER IDAHO INC. FOR
AUTHORITY TO INCREASE ITS RATES
AND CHARGES FOR WATER SERVICE
IN THE STATE OF IDAHO

Case No. UWI-W-15-01

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

DIRECT TESTIMONY OF GREGORY P. WYATT

MAY 2015

- 1 **Q. Please state your name and business address.**
- 2 A. Gregory P. Wyatt. United Water Idaho, 8248 West Victory Road, Boise
- 3 Idaho.
- 4 **Q. What is your occupation?**
- 5 A. I am the Vice President and General Manager of United Water Idaho
- 6 ("United Water" or "Company").
- 7 **Q. Please describe your educational background and other**
- 8 **qualifications.**
- 9 A. I am a graduate of Bloomsburg University with a Bachelor of Arts degree
- 10 in Business Administration Management. I have previously provided
- 11 testimony before the Indiana Utility Regulatory Commission, the
- 12 Pennsylvania Public Utility Commission, and the Idaho Public Utilities
- 13 Commission.
- 14 **Q. Please describe your work experience.**
- 15 A. I have been employed at United Waterworks properties, formerly General
- 16 Waterworks, since December 1974. Prior to assuming my current duties
- 17 as General Manager of United Water Idaho in late 1999, I worked in
- 18 various capacities in several states including General Manager for United
- 19 Water Pennsylvania, Area Manager for the United Water Indiana
- 20 operations, Assistant Manager of United Water Idaho and various
- 21 accounting positions in New Jersey and Pennsylvania.
- 22 **Q. Please describe your duties as General Manager.**

1 A. My duties are to oversee the Company's activities and responsibility of
2 providing potable water to the customers of United Water Idaho. I provide
3 general management direction and oversight to the various departments
4 of Engineering, Production, Transmission & Distribution, Customer
5 Service, Billing, Information Technology, Finance and Planning, and
6 Administration in meeting their responsibilities for the delivery of potable
7 water, maintaining compliance, and providing related services to
8 customers.

9 These functions include planning for raw water source,
10 construction, maintenance and operation of the treatment and pumping
11 facilities, the distribution system including mains, services, and storage
12 tanks, responding to customer needs regarding initial service or
13 discontinuing service by reading customer meters, processing and
14 delivering bills, and responding to other customer needs through the
15 Customer Service Representatives.

16 My duties also include oversight and responsibility for the
17 Company's compliance with all regulations in regard to safety, compliance
18 with the Safe Drinking Water Act, and other similar requirements.

19 **Q. What is the purpose of your testimony?**

20 A. Among other things, I will testify regarding the major reasons for the
21 general rate relief requested in this filing, and the Company's conservation
22 and customer service efforts. I will also be available to answer questions
23 of a general nature. My testimony is organized as follows:

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10

11 **Other Witnesses**

12 **Q. Please identify the other witnesses who will testify on behalf of the**
 13 **Company and the topics on which they will testify.**

14 A. Mr. Paul Herbert, consulting expert with Gannett Fleming, Inc. will testify
 15 regarding revenue and associated adjustments.

16 Ms. Pauline Ahern, consulting expert with AUS Consultants, will
 17 testify regarding cost of capital.

18 Mr. Kevin Doherty, Director Regulatory Business with the United
 19 Water M&S Company, will testify regarding rate base, revenue
 20 requirement, and depreciation expense.

21 Mr. Marshall Thompson, Operations Manager with United Water
 22 Idaho, will testify regarding the Company's overall operations, and will
 23 present testimony identifying and explaining the various proposed to the
 24 Company's Rules and Regulations on file with the Commission, excluding
 25 the revenue rate tariff pages, which are included in Witness Herbert's
 26 testimony.

1 Ms. Jarmila Cary, Finance Manager with United Water Idaho, will
2 testify regarding operating expenses and associated adjustments, as well
3 as all amortization expenses and associated adjustments.

4 Mr. Roger Greaves, Senior Project Engineering with United Water
5 Idaho, will testify regarding pro-forma capital additions and retirements,
6 plant in service, and purchased water expense.

7 **Impact of Proposed Rate Change**

8 Q. **Generally, what is the overall revenue increase requested in this**
9 **filing?**

10 A. The Company is seeking increased revenues in the amount of \$5,881,308
11 or approximately 13.2% to be applied in an across-the-board fashion to all
12 classes of customers and all tariff sheet components.

13 Q. **When was United Water Idaho's last general rate filing?**

14 A. United Water Idaho last filed for a general rate increase on August 3,
15 2011. The case resulted in the Commission granting the Company an
16 overall increase of \$4.0M in two phases, with \$3.050M effective February
17 1, 2012, and an additional \$950,000 effective February 1, 2013.

18 Q. **What is the current rate per hundred cubic feet (ccf) of water (748**
19 **gallons)?**

20 A. The current volumetric rate for water is \$1.4647 under the winter rate
21 (Sep. to Apr.) and \$1.8310 under the summer rate, which means one

1 penny will buy 5.1 gallons of water in the winter and about 4.1 gallons in
2 the summer.

3 **Q. How much water does an average residential customer use per year**
4 **and what does that equate to on a cost per day at current rates?**

5 A. Using the projected test year volumes, an average residential customer
6 will use approximately 114,597 gallons of water annually (approximately
7 153.2 ccf) which equates to about 314 gallons per day. At current rates,
8 on average that equals \$383.99 per year, or \$0.71 per day plus an
9 additional \$0.34 per day for the average residential customer charge.

10 **Q. How would the Company's proposed increase impact the average**
11 **residential customer?**

12 A. Excluding Franchise or IDEQ fees, for the average residential customer
13 projected to use 114,597 gallons annually this would be an increase of
14 approximately nine cents (\$0.09) per day plus approximately five cents
15 (\$0.05) per day for the customer charge. The total increase at the
16 Company's proposed rates is approximately \$50.62 per year or \$4.22 per
17 month. Considering the Company's last significant increase to base rates
18 was in February 2012 and the proposed rates would not become effective
19 until approximately mid-December 2015, United Water Idaho's customers
20 will have benefitted from approximately four years of relatively stable base
21 rates.

1 **Tariff Design**

2 **Q. What is the Company's proposal for adjustments to rates to recover**
3 **any revenue increase that may be awarded by the Commission?**

4 A. As explained in more detail in the testimony of Witness Herbert, the
5 Company is proposing increases to all rate elements, excluding
6 miscellaneous service charges and fees, on an across the board basis.
7 The Company is not proposing, in this case, any change to the current
8 general tariff design and is maintaining the 25% differential between winter
9 and summer volumetric rates.

10 **Rate Increase Drivers**

11 **Q. Would you briefly explain why the Company is seeking a rate**
12 **increase at this time?**

13 A. The increase is necessary for the Company to continue to provide quality
14 service to customers and to improve service by investing in new and
15 replacement infrastructure. For these reasons, United continues to make
16 capital investments in utility plant. The Company's rate base of
17 approximately \$162.9 million as filed in its last rate proceeding (Case No.
18 UWI-W-11-02) has increased to about \$173.3 million in this proceeding or
19 an increase of \$10.4 million. Operating costs, excluding income taxes,
20 have also increased since the last rate filing from approximately \$26.3
21 million to approximately \$29.5 million or an increase of \$3.2 million. An
22 increase in rates is also necessary in order to provide sufficient capital
23 dollars to maintain and improve quality service to our customers, to

1 provide adequate operating and maintenance coverage, and to maintain a
2 sound financial position.

3 **Q. What are the major capital investments the Company has made since**
4 **the last rate case that contribute to the increase in rate base?**

5 A. The Company has made or will be making by the end of the post-test year
6 period ending November 30, 2015, additional investments totaling more
7 than \$39 million. Almost \$17.2 million dollars of that was invested in
8 replacing aging water mains, services and meters; over \$3.5 million in
9 replacement treatment projects that improve water quality provided to
10 customers; almost \$1.2 million in booster station improvements that
11 improve system reliability; almost \$0.9 million for a replacement storage
12 tank to sustain pressure and improve fire protection in the Bogus Basin
13 Road area; more than \$0.7 million in a new main to improve customer
14 pressure in the Hill Road area; over \$0.6 million has been invested in a
15 new water supply well; and over \$0.5 million dollars in auxiliary power
16 equipment at various sites throughout the water system to ensure
17 uninterrupted water supply to customers during electric power outages.

18 **Q. You mentioned before that operating costs in this current filing**
19 **increased by \$3.2 million from the level in the Company's last filing.**
20 **What are some of the major areas of operating cost increases?**

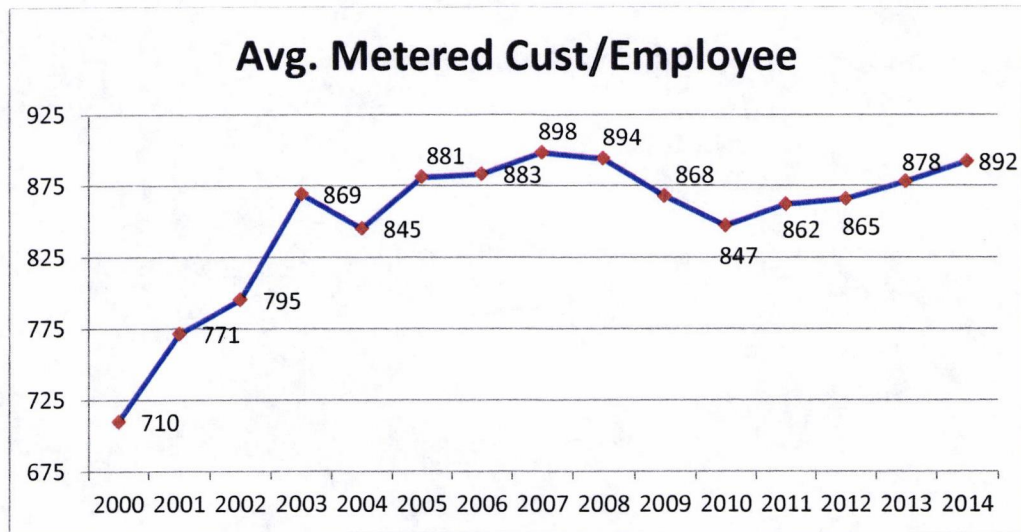
21 A. The largest single category of operating cost increase in this case, about
22 \$945,000, arises from increased depreciation expense related to the
23 capital investments the Company has made. Additionally, personnel

1 expenses have increased by about \$911,000, with a significant portion of
2 that associated with medical, pension, and post-retirement health care
3 cost increases. Energy costs have increased by more than \$544,000, and
4 amortization expenses associated with deferred pension have increased
5 by almost \$496,000. These and other expense adjustments are
6 discussed more fully in Witness Cary's and Witness Doherty's testimony
7 and exhibits.

8 **Cost Management and Efficiencies**

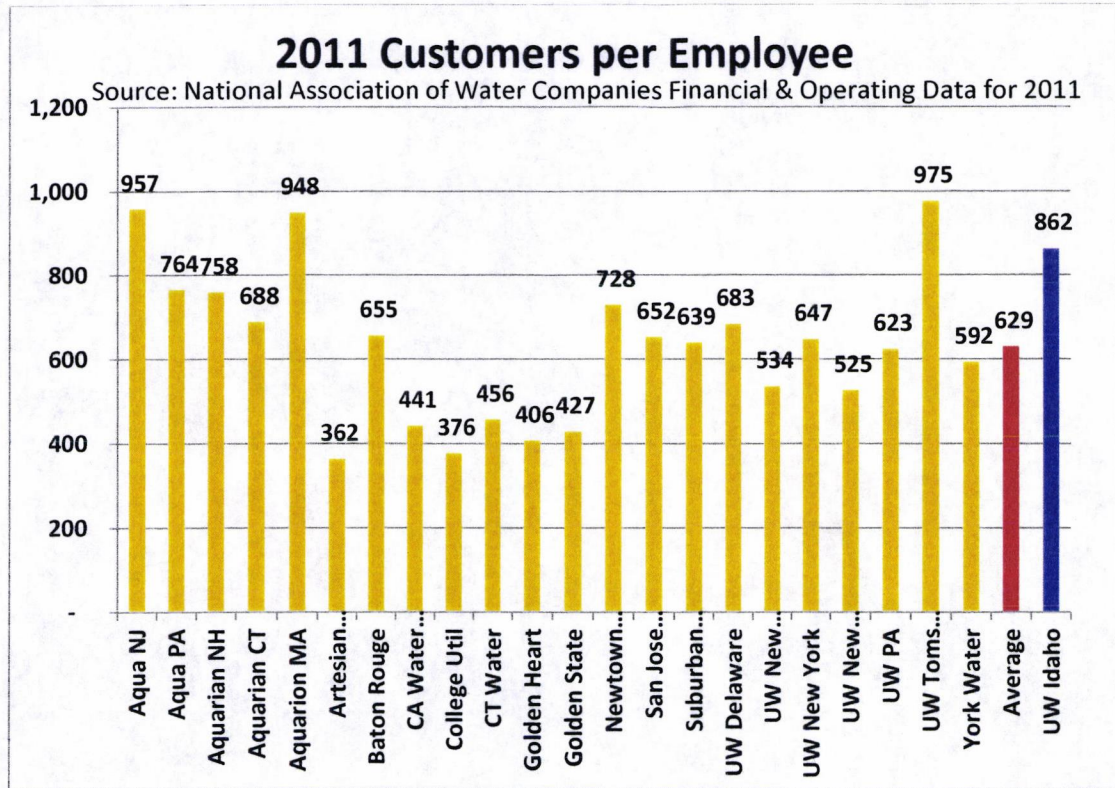
9 **Q. Please discuss how United Water is managing its costs and seeking**
10 **to mitigate the impact of increased costs on its customers?**

11 A. United Water is continually looking for ways to reduce the costs of
12 providing service to its customers and for ways to provide service more
13 efficiently. An area where United Water has demonstrated efficiency in
14 operations is in the number of employees required to operate the
15 business. Here a common measure of efficiency is the number of
16 customers per employee. The graph below shows the Company's
17 average number of metered customers per employee from 2000 to 2014.



During the Great Recession (roughly from 2008 to 2010) the Company's ratio of customers per employee dipped from its high of 898 customers in 2007 to 847 in 2010. However, the ratio has improved every year thereafter and now approaches the peak from 2007. Much of this improvement is related to the renewed customer growth since 2010, while the company has been able to maintain a relatively flat staffing level since the last general rate filing.

The next graph shows the ratio for a group of regulated companies for a recent period (2011), and it can be seen that United Water's ratio of 862 customers per employee was well in excess of the average of 629 for that period, bettering the average by 37%. And as seen in the graph above, the company's customers per employee ratio has improved even further from 2011 to 2014.



Additionally, the Company employs various technologies, including highly sophisticated SCADA and GIS systems, which enable the Company to operate its facilities without requiring all year long around the clock staffing. Additionally, these aid in controlling staff overtime as well. For example, over the three year period of 2012–2014, staff overtime pay has average just over \$142,000 per year, which is an average of only 2.44% of average gross payroll for the period.

Q. Please identify other areas where the Company has been able to control costs and/or demonstrating operational efficiencies.

A. United Water Idaho, as part of a national Company, has been able to leverage our Company's size and purchase volume to negotiate favorable

1 unit prices (or mitigate the magnitude of price increases) on various
2 products and services such as chemicals, materials, insurance, health
3 care, fleet leasing, and other products and services.

4 A significant measure of a water utility's operational efficiency is
5 its level of non-revenue water (NRW), or the amount of water the utility
6 produces, treats and pumps to customers that, for various reasons, does
7 not return revenue to the utility. In the U.S., utilities lose on average 20
8 percent of their water, according to the Black & Veatch [Strategic](#)
9 [Directions Water Report](#). United Water Idaho has historically maintained a
10 substantially lower level of NRW than industry averages. Over the past
11 two years the Company's NRW percentage has averaged about 5.5%.

12 At the Company's Victory Road offices, we have taken various
13 energy saving measures; including taking advantage of Idaho Power
14 lighting rebates, to lower electricity use by over 13% from 2008 to 2014.

15 Additionally, since 2009, the Company has continued its
16 participation in a Power Demand Response Program Sales and Services
17 Agreement with EnerNOC, Inc. that provides payments to the Company
18 for temporarily interrupting the use of certain water pumping facilities when
19 requested to do so by Idaho Power during high electricity demand periods
20 in the summer. These payments go directly to reduce the Company's
21 purchased power expense.

1 Also, from 2008 to 2014 the Company reduced by more than 13%
2 its total gallons of gasoline and diesel fuel purchased for use in its fleet of
3 vehicles and equipment.

4 **Q. Please describe efforts taken to control costs related to the**
5 **Company's pension obligations.**

6 A. There have been two significant changes to the United Water Resources
7 Pension Plan. The first, in 2009, was the elimination of the Pension Plan
8 benefit for all new employees hired into the Company. The second, which
9 became effective in July 2011, was the introduction of a participation cap
10 of 35 years of service for existing employees who are covered by the
11 Company's current Pension Plan.

12 **Personnel Requirements**

13 **Q. The pro-forma payroll related operating expense adjustments**
14 **presented by Witness Cary indicate a change in headcount from the**
15 **Company's test year in this case. Please discuss this change.**

16 A. In the test year the Company had a head-count of 98 full-time employees
17 (FTE). In its pro forma payroll expenses the Company is proposing 99, an
18 increase of 1 FTE. The Company has added an Environmental Health &
19 Safety (EHS) Manager position. The new EHS Manager was hired in
20 April 2015 to lead the Company's environmental, safety and security
21 programs, and to support management in monitoring, verifying, and
22 strengthening compliance with regulations in these areas. Prior to hiring

1 the EHS Manager, the Company's EH&S programs and efforts had been
2 under the responsibility of the Company's Production Manager, but only
3 on a part-time basis as time allowed. The Company has placed a high
4 commitment on environmental compliance and a high priority on ensuring
5 the safety of each employee.

6 **Water Conservation**

7 Q. **Would you please provide an overview of the Company's water**
8 **conservation and demand side management efforts and programs?**

9 A. For over 20 years the Company has developed and implemented various
10 customer information, education and awareness programs, and outreach
11 efforts that promote wise water use and water conservation and that assist
12 customers in managing their water demand and consumption. Although
13 some of these efforts have sought to inform customers about water use in
14 the home, the majority of them have targeted customer water use outside
15 on lawns, gardens and landscape areas. This focus is designed to enable
16 customers who use water provided by the Company for irrigation purposes
17 to benefit the most from the Company's efforts, since irrigation demand is
18 the largest driver of overall water system demand in the summer.

19 Below is a summary of the Company's efforts in these areas:

20 • **Water Efficient Landscaping Classes**

21 Historically, in February/March of each year, United Water, in
22 partnership with the Ada County Extension Office and the City of Boise,

1 conducted six, two-and-a-half-hour class sessions focused on the
2 fundamentals of water efficient landscaping. The classes are now
3 consolidated into four, two-hour class sessions in response to a more
4 manageable time commitment for the attendees. At the recently
5 completed 2015 series, the four sessions averaged 75 attendees per
6 class.

7 • **Summer Water Conservation Bill Insert**

8 As customer bills are delivered throughout the spring and summer,
9 both paper and electronic bills include an insert that provides information
10 on how customers can reduce their outside water demand during the
11 summer. In 2014 the Conservation insert was included in the July and
12 August bills. In 2015, the Conservation insert is planned to be included in
13 the June and July bills.

14 • **Water Use Management Messaging Through the Media**

15 United Water Idaho conducts a multi-media conservation campaign
16 annually. The campaign begins in mid-June, and culminates around
17 Labor Day. The goal is to increase customer's awareness of their water
18 use and to provide them with concrete reminders and methods to manage
19 their water consumption. This consists of a coordinated use of
20 newspaper, television, online media and social media.

21 From 2005-2013, the Company published an eight page newspaper
22 insert, distributed in a Sunday edition of the Idaho Statesman. In 2014,

1 the Company transitioned the guide to an online publication, reducing
2 production and distribution costs, and allowing us to incorporate
3 interactive features. The online guide featured text, photos and how-to
4 videos on topics ranging from irrigation systems and lawn care to sprinkler
5 repairs and a list of low-water plants that customers can plant in their
6 yards. The 2014 guide was awarded First Place in the Electronic
7 Communications category in the Pacific Northwest Section of the
8 American Water Works Association Excellence in Communications
9 Awards. The Guide also includes coupons which customers can use to
10 obtain the free outdoor conservation devices mentioned below. The guide
11 is promoted in bill messages, via online ads on leading local news
12 websites, on social media platforms, in the Company's monthly electronic
13 newsletter, and in print ads.

14 The summer campaign also includes TV commercials to encourage
15 conservation. In 2014, the Company launched a student video contest, to
16 engage the community in the effort. 9th-12th grade students in the Boise
17 School District and Bishop Kelly High School were eligible to submit a 30-
18 second Public Service Announcement. The winning entry aired during the
19 summer on local TV stations.

20 Additionally, United Water partners with Idaho Rivers United each year
21 on public outreach campaigns focused on conservation and preservation
22 of the Boise River water source.

23 • **Xeriscape Demonstration Garden**

1 In 2006, United Water installed a Xeriscape, low-water use,
2 demonstration garden at its main office location on Victory Road. The
3 garden contains numerous drought-tolerant plant varieties and is
4 configured with appropriate signage in a walk-through venue. A listing of
5 plants is available for customers at the office and on our web site, and the
6 Company's Outreach and Education Coordinator conducts educational
7 workshops for customer groups using the garden as the centerpiece. In
8 2010, the Company financially supported the installation of a new low-
9 water use garden located at the Idaho Botanical Garden, and a xeric
10 garden on the Capital grounds upon completion of the Capital expansion
11 and restoration project. United Water works with both of these entities to
12 coordinate messaging, signage, and water conservation educational
13 materials. The Company is currently in discussions with the City of Boise
14 on funding and installing a xeric demonstration garden at the Bown
15 Crossing Library, slated to open in late 2016.

16 • **Educational and Community Outreach**

17 United Water has developed various water awareness and
18 conservation activities and presentations that are available and presented
19 to schools, businesses, and community organizations in the area. These
20 include PowerPoint presentations, topical lectures, and science activities.
21 The Company has become more involved with STEM (Science,
22 Technology, Engineering, Math) education outreach; participating in
23 summer teacher workshops and student activities such as Explore STEM

1 Day at Boise State University. The Company also participates in
2 community events where conservation materials and information are
3 provided, including Earth Day events, various company green fairs such
4 as Citibank, Direct TV Expo, Idaho Botanical Garden Landscaping
5 Symposium, as well as meetings with various neighborhood associations
6 and many subdivisions throughout the service area.

7 **Conservation Plan**

8 **Q. Please comment on the Company's efforts to implement its**
9 **Conservation Plan.**

10 A. As a result of the Company's 2004 case (UWI-W-04-04) the Commission,
11 in its September 20, 2005 Order No. 29871 directed the Company to
12 prepare an updated conservation plan and submit it to the Commission for
13 review. United Water prepared and then filed its updated Conservation
14 Plan with the Commission on December 1, 2006 (UWI-W-06-05), and by
15 Order No. 30305 dated April 18, 2007 and Order No. 30305 Errata dated
16 May 22, 2007, the Commission approved implementation and associated
17 cost deferral of four specific programs from the updated Conservation
18 Plan; specifically Xeriscape demonstration gardens, rain sensor retrofit,
19 trigger shut-off valves and hose timers, and restaurant low flow spray
20 nozzles.

21 **Q. Please describe the Company's implementation efforts regarding the**
22 **four programs since Commission approval in April 2007.**

1 A. United Water began promoting the trigger shut-off valve and hose timer
2 program via a free coupon in its 2007 Conservation Guide. In that first
3 Guide, and annually since, customers are encouraged to bring the coupon
4 from the Guide into the office and receive the free devices. The program
5 is also promoted via signage at the Company's office where extra coupons
6 are available, at public shows and displays, in the conservation bill insert,
7 via bill messages, and on the Company's web site. During the 2014
8 season, Boise City Hall, the Collister Library and Hillcrest Library assisted
9 the Company as distribution centers for the conservation device program.
10 Supplies of the outdoor devices are also kept at El-Ada to assist our UW
11 Cares program recipients. At the end of 2014, 5,692 hose timers and
12 hose triggers have been provided to customers since the program
13 inception.

14 In the summer of 2008, the Company began implementing the rain
15 sensor (shut-off device) retrofit on irrigation controllers program. This
16 program involves purchasing and providing a rain sensor device at no cost
17 to customers. The device connects to the customer's automatic irrigation
18 system and interrupts the scheduled watering cycle whenever sufficient
19 rainfall is detected by the device. This program is promoted in the same
20 way as the trigger shut-off valve and hose timer program via the annual
21 Conservation Guide, office signage, public shows and displays, in the
22 conservation bill insert, via bill messages, and on the Company web site.
23 This program has been promoted in the same fashion during the summers

1 ever since. By the end of 2014, 3,291 rain sensors have been provided to
2 customers.

3 The restaurant low flow spray nozzle change out program began in
4 2009. In this program United Water replaces commercial customer's
5 existing rinse and clean spray nozzles with low flow units at no charge.
6 The Company entered into an agreement with a licensed plumbing
7 contractor in August 2009 for the installation of these devices for
8 customers. The Company partnered with Central District Health ("CDH")
9 to obtain their list of roughly 650 customers within our service area (such
10 as restaurants, hospitals, and group homes) who have commercial kitchen
11 facilities. The Company sent direct mail invitations to the list of customers
12 received from CDH on two separate occasions. Unfortunately, the
13 response from customers has been disappointing with 73 low flow nozzles
14 replaced in customer's facilities at no direct additional charge to the
15 customer.

16 The Company's efforts regarding the fourth program approved by
17 the Commission in 2007, Xeriscape demonstration gardens, has already
18 been discussed above.

19 **Q. Do you believe the Company has implemented the approved**
20 **Conservation Plan programs in the way the Commission intended?**

21 **A.** Yes. The Company has made a diligent effort implementing the four
22 approved programs, while at the same time it has maintained and
23 improved its previous conservation efforts.

1 **Customer Service**

2 **Q. Please comment on the Company's customer service efforts.**

3 A. United Water uses various measures and metrics to ensure that it
4 maintains a high level of service and responsiveness to its customers. For
5 example, the Company tracks customer complaints it receives relating to
6 water quality. During 2014, water quality complaints that required a field
7 visit to resolve have averaged only 0.52% of total customers. Complaints
8 relating to high bills and disconnection have averaged only 0.37% and
9 0.25% respectively as a percentage of bills rendered.

10 **Q. Are there other measures used by the Company to track customer**
11 **service performance?**

12 A. Yes. Our Customer Service group maintains various data relating to
13 customer calls, response time, length of call, and number of dropped calls.
14 During 2014, the Customer Service office answered 95,523 calls with an
15 overall average answer speed of 35 seconds. The average length of calls
16 was 3.07 minutes, and the abandoned or dropped call rate was 2.3% of all
17 calls. In addition, due to the fact that virtually all customer meters are
18 located in outside pits or vaults, we are able to render bills based on
19 actual meter readings 98.3% of the time.

20 **Q. Does United Water Idaho monitor customer satisfaction?**

21 A. Yes. The Company conducts an annual telephone customer satisfaction
22 survey with the purpose of measuring customer satisfaction across

1 various areas of service as well as overall satisfaction. A third party,
2 Walker Information conducts the survey and tabulates the results.
3 Samples of the positive satisfaction results for 2014 are:

- 4 • Overall satisfaction: 97% (neutral to extremely satisfied)
- 5 • Cares about customers: 96% (neutral to excellent)
- 6 • Reliability of service: 98% (neutral to excellent)
- 7 • Value for money: 86% (neutral to excellent)

8 **Low-Income Customer Assistance**

9 **Q. Does the Company currently have a low-income customer assistance**
10 **program in place?**

11 A. Yes. Beginning in September 2005 the Company initiated UW Cares,
12 which is the first, and still the only, water utility customer assistance
13 program in the state. The program, which is administered through the El-
14 Ada Community Action Partnership social service organizations, provides
15 up to \$65 annual water bill assistance to qualifying customers. The initial
16 program provided up to \$50 annual assistance but was increased to \$65
17 by the Company in October 2011 in response to increased customer
18 need. Additionally, the Company provides the agencies with indoor water
19 conservation kits for distribution and installation for qualified customers in
20 the program. Since UW Cares began in 2005, almost \$146,000 in
21 assistance has been provided to more than 2,800 qualified customers to
22 help pay their water bills. The Company initially sought customer

1 donations in support of UW Cares, but abandon that approach in its last
2 general rate case (UWI-W-11-03) due to lack of customer interest and
3 support.

4 Also, during its 2004 rate proceeding (UWI-W-04-04), the Company
5 supported and agreed to a proposed change in its rate tariff whereby the
6 first 3 hundred cubic feet (ccf) of consumption used during the summer
7 rates period (May through September) is priced at the 25% lower winter
8 rate.

9 Q. **Does this conclude your direct testimony?**

10 A. Yes. I reserve the right to supplement my testimony as additional issues
11 arise during the course of this proceeding. Thank you.